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MEMORANDUM FOR: See Distribution List

FROM :
Acting Chief, Economics Division
Office of Global Issues

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SUBJECT : Foreign Views on US Initiative to Include
Investment Issues in the GATT

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Attached is a typescript recently produced by the
Economics Division. If you have any questions or comments,
please contact our International Trade Branch

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Attachment:

Foreign Views on US Initiative to Include
Investment Issues in the GATT
GI M 86-20080, March 1986

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SUBJECT: Foreign Views on US Initiative to Include Investment
Issues in the GATT []

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OGI/ECD/IT [] (27 Mar 86)

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MEMORANDUM

Foreign Views on US Initiative to Include
Investment Issues In the GATT

1. According to State Department reporting, many nations support the principle of including investment issues in the GATT, but differ over which matters should be addressed. To date, the most positive support has come from the governments of France, Japan, Spain, Switzerland and Togo. Of the OECD countries expressing reservations, most fear strong LDC resistance and overloading the GATT agenda. A member of the West German government said that most EC members believe the US proposals go too far, too quickly and cannot win acceptance by the LDCs. Most governments believe the LDCs will be particularly opposed to inclusion of investment if topics such as right of establishment and expropriation are included. Moreover, Bonn and London are concerned that hostile reaction toward investment by the developing countries will adversely affect New Round negotiations covering services issues. []

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2. LDC reaction has been mixed. The traditional hardliners--Argentina, Brazil, India, Yugoslavia--opposed the US position at last week's GATT preparatory committee (PrepCom) meetings. Most of the developing countries, however, are studying the issues and waiting for other LDC reaction before taking firm positions. For example, Singapore supports the principle of including investment in the GATT, but will remain non-committal until a position develops within the G-77 and ASEAN countries. Although international reaction is not highly supportive of the US initiative, these foreign reactions represent a change of view since the November 1982 GATT Ministerial which rejected inclusion of investment issues in the GATT. []

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This typescript was prepared by [] International Trade Branch, Office of Global Issues. This analysis is based on State Department reporting received as of 27 March 1986. Comments and queries may be addressed to the Chief, International Trade Branch, OGI, []

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FOREIGN VIEWS ON US INITIATIVE
TO INCLUDE INVESTMENT ISSUES IN THE GATT

Country	Position	Comment
<u>OECD</u>		
Australia	Non-committal	Concerned about LDC reaction and specifics of US proposal.
Canada	Possible support	Montreal is willing to take up investment issues in the GATT.
Denmark	Non-committal	Denmark does not want to overload the circuits of a new round by including too many issues.
European Community	Agrees in principle	The EC Commissioner for External Affairs stated that a system of protection for investment was needed; however, he believed the LDCs would be reluctant to support the issue.
Finland	No objection	Finland will not actively support the US--most Finnish investment is in industrialized countries.
France	Agrees with US position	French official believes that investment should and will be included in the new trade round.
Iceland	Non-committal	Iceland will maintain an "open mind" on the question of topics to be included in the new round.
Italy	Agrees in principle	Concerned about LDC opposition and believes a slower, more cautious approach is in order.

Country	Position	Comment
Japan	Generally supportive	Japanese ministries have differing views over raising issues not related to trade.
New Zealand	Agrees in principle	Does not believe investment should be a high priority issue for the new round.
Norway	Cautiously supportive	
Spain	Supports US position	Spanish officials believe US must discuss how particular countries or various types of economies might benefit from liberalized investment regimes.
Sweden	Cautiously supportive	Will not actively support inclusion of investment in the GATT.
Switzerland	Supports US position	Swiss representative stated that the industrialized countries must not lose their resolve to insist on including investment issues in the GATT.
United Kingdom	Non-committal	UK officials are concerned about the breadth of US proposal, reaction of LDCs, and adverse effect on services negotiations.
West Germany	Agrees in principle	Bonn believes the United States is trying to proceed too quickly on this issue.

Country	Position	Comment
<u>LDCs</u>		
Argentina	Opposed	Buenos Aires believes GATT has no competence in this area.
Brazil	Opposed	Brasilia believes trade-distorting effects alone are not a justification for including an item in the new round.
Colombia	Opposed	
Cuba	Opposed	
Egypt	Opposed	
Ghana	Possible support	Ghana delegate to PrepCom stated Accra was willing to go along with an exploration of the US proposal.
India	Opposed	New Delhi believes investment issues are not within the competence of the GATT and national investment regimes are not negotiable.
Indonesia	No objection	Indonesia's strict rules governing foreign investment make it unlikely that Jakarta will actively support the US.
Jamaica	Under study	

Country	Position	Comment
Malaysia	Under study	In a surprise statement, Malaysian PrepCom delegate stated that it was doubtful many LDCs would "buy into" this issue.
Pakistan	Under study	Interested in G-77 position.
Singapore	Non-committal	Supports principle of including investment in GATT; however, will remain non-committal until a position develops within the G-77 and ASEAN countries.
South Korea	Possible support	
Thailand	No objection	Unlikely to actively support US.
Togo	Agrees with US position	Lome believes that countries which have open trade and investment policies cannot allow countries for which trade is relatively less important to block discussion of investment issues.
Tunisia	No objection	Tunisian officials stressed the need to consider investment within the broad category of services.
Uruguay	Possible support for US position	Although Montevideo does not have a firm government position, the foreign minister stated that he thought Uruguay might be able to support the US initiative.
Yugoslavia	Opposed	